

**SUMMARY OF THE REGULAR MEETING OF THE
ARIZONA STATE RETIREMENT SYSTEM
EXTERNAL AFFAIRS COMMITTEE**

**HELD ON
October 2, 2008
3:00 p.m., Arizona Time**

The External Affairs Committee (EAC) of the Arizona State Retirement System (ASRS) met in regular session in the 10th Floor Board Room of the ASRS Office, 3300 North Central Avenue, Phoenix, AZ, 85012. Mr. Jaime Gutierrez, Chairperson, called the meeting to order at 3:15 p.m. Arizona Time.

This meeting was teleconferenced to the ASRS Tucson office at 7660 East Broadway Boulevard, Suite 108, Tucson, Arizona, 85710.

1. Call to Order; Roll Call; Opening Remarks

Present: Mr. Jaime Gutierrez, Chair
 Dr. Keith Meredith, Member
 Mr. Steven Zeman, Vice-Chair

Absent: Mr. Jim McLaughlin, Member

Mr. Tom McClory, Assistant Attorney General, announced that the Committee meeting had been noticed as a potential Board meeting but would proceed as a Committee meeting.

A quorum of the Committee was present for the purpose of conducting business.

Mr. Jaime Gutierrez, Chair, announced that Mr. Dave Byers, Board Trustee and Chair of the Operations Committee, was present for the meeting.

2. Approval of Minutes of the June 6, 2008 EAC Meeting

Mr. Gutierrez asked if there were any corrections or comments on the minutes of the June 6, 2008 EAC meeting. There were none.

Mr. Gutierrez asked for a motion to approve the minutes.

Motion: Mr. Steve Zeman moved that the External Affairs Committee approve the minutes of the June 6, 2008 EAC meeting.

Dr. Keith Meredith seconded the motion.

By a vote of 3 in favor, 0 opposed, 0 abstentions and 1 excused the motion was approved.

3. Presentation, Discussion, and Appropriate Action Regarding 2008 Legislative Issues

Ms. Lesli Sorensen, Government Relations Officer, presented and discussed the proposed legislation for the 2009 Legislative Session.

Ms. Sorensen discussed the following potential legislative action:

Transfers: clarification to Charter City transfer statute.

Employer Termination Incentive Programs: removes the requirement that an agreement to retire or terminate be in writing.

Long-term Disability (LTD) Program: clarifies that the Social Security offsets apply to the benefits that both the member and the member's dependent receive, conforms LTD definitions to the DB Plan, and revises the LTD contribution rate calculation.

Service Purchase: allows purchase of time worked for a U.S. Commonwealth, Territory, insular area or overseas possession; repeals military/disability call-up reversion; requires five years of service prior to initiating service purchases.

Return to Work (RTW): dual employment; contribution for RTW; dual membership and RTW in non-ASRS position; miscellaneous RTW provisions

Defined Benefit Plan Design: modifies average monthly salary from 36 to 60 months (new hires only); modifies Rule of 80 to Rule of 85 (new hires only); caps employer refunds at 25% (new hires only); eliminates 80% benefit cap.

Technical and Federal Conforming Changes: Ms. Sorensen stated that language is being developed for potential IRS conforming changes.

Non-ASRS: transfers out.

Mr. Klein stated that the Return to Work (RTW) issue had been discussed in detail during the October 2, 2008, 1:00 p.m., Operations Committee meeting and during discussion with staff and the Chair of the External Affairs Committee. The Trustees did not feel it was necessary to discuss the details of the RTW item.

Mr. Steve Zeman asked about one of the items that is not recommended to be moved forward: ASRS-managed Retiree Personal Accounts. Mr. Zeman stated that this had been his idea and he felt it was misunderstood. The item was intended to be a service provided to retirees through a vendor, not through the ASRS.

Ms. Sorensen stated that the item would require significant research and most likely would not be ready for the current legislative session. Mr. Zeman stated he would like the proper time and research to be devoted to the item and perhaps it could appear on next year's initiatives.

Mr. Gutierrez asked if there were any members of the public wishing to address the Board before the item was voted upon.

Ms. Linda Somo, Arizona Education Association – Retired (AEA-R), addressed the Board regarding the proposed legislation. Ms. Somo stated she was comfortable with the RTW item and also issued caution with respect to any ASRS contracted services for retirees for financial management. She advised the Board to think carefully and thoroughly about such an offering to retirees.

Mr. Steve Ramos, AEA-R, also advised the Trustees to use caution while potentially developing financial services to offer to retirees.

Motion: Mr. Zeman moved that the Committee recommend to the Board of Trustees the 2009 legislative initiatives presented by staff. The Committee intends that the Board supports all initiatives with the exception of the Rule of 85, Average Monthly Salary, and maximum benefit cap provisions, on which the Board should have a “neutral” position, but shall provide information to the Legislature on the impact of the initiatives on the Fund. Staff may make all language changes and negotiate as necessary to obtain the most effective and efficient legislative provisions within the construct of today’s discussion.

Dr. Keith Meredith seconded the motion

Before the vote was case, Mr. Zeman asked why the other item in the plan design portion, eliminating the 80% benefit cap, was not included in the list of items for which the Board is to take a neutral position.

Ms. Sorensen stated that the item is not seen as a benefit modification and therefore the Board can support the initiative if it so chooses.

Mr. Gutierrez called for a vote.

By a vote of 3 in favor, 0 opposed, 0 abstentions and 1 excused the motion was approved.

4. Future EAC Agenda Items

There were no requests for future agenda items.

5. Call to the PublicMr. Jaime Gutierrez

There were no additional requests to speak.

6. Adjournment of the ASRS External Affairs Committee

Mr. Gutierrez moved that the October 2, 2008 External Affairs Committee meeting be adjourned at 4:15 p.m.

Respectfully Submitted by,

Anne Wilson
Committee Secretary

Date

Patrick M. Klein
Assistant Director, External Affairs

Date